

S6-20.00/1-21054

AIR PRIORITY

FROM: Embassy, Bonn
 TO: Department of State, Washington
 RE: 1957 CERP, Section C, Item 2
 SUBJECT: Weekly Economic Review No. 4

1/27 60 L 9

Despatch No. 2012

January 23, 1959

1. Coal Developments
2. FedRep Second World Ship Construction in 1958
3. Slower Growth Rate of GNP in 1958
4. FedRep Foreign Trade in December 1958
5. Most Remaining Restrictions on Foreign Capital Investments Lifted
6. FedRep Imposes Economic Sanctions Against Bulgaria
7. Bundeswehr Testing Hispano Missiles Again Delayed
8. First European International Investment Fund Established
9. Bayer Farben Shares Introduced on Frankfurt Stock Exchange
10. Krupp Comments on Decentralization and Production
11. Atomic Energy Developments
12. Effect of Common Market on German Industry
13. TV and Broadcast Sets Trend
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15. FedRep Insists on Bilateral Trade Agreements
16. German Farm Prices Exported in 1958
17. Higher Milk Prices
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ECON:CA:LPT/fokett, Jr./mcg

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1. Coal Developments (UNCLASSIFIED)

On January 15, stocks at pitheads were 13,379 million tons, of which 8,276 million tons were bituminous coal and 5.11 million tons were coke.

Three million free shifts were reported to have taken place since February 22, 1958, with total loss in wages being quoted at approximately 63.8 million DM. An average of 2 to 3 free shifts per man is expected in January.

In memorandum distributed simultaneously to Bundestag delegates, members of Federal Government, deputies of the Govt Northrhine-Westphalia, and municipal authorities of Ruhr cities, Miners' Trade Union states that Govt measures initiated so far have not yet relieved market. Economics Ministry expectation that industrial consumers would contribute to improve situation by increasing their own stocks is called illusory. Expecting situation to worsen, memorandum cautions against further layoffs which would increase social, economic, and political unrest, particularly since political organizations of SovZone are taking advantage of situation by increasing their political agitation.

At Economics Ministry, discussions continue toward restricting coal imports, apparently centering around (1) either to impose customs duty on coal imports--figures mentioned are about DM 30 per metric ton; which is about 33% of basic German coal price; however, via Economics Ministry authority to establish annual quota for customs-free imports to be enjoyed by traditional (i.e. coastal) customers for import coal; quota to be based on annual average of procurement in preceding years--4-5 million tons estimated; and (2) or to require extra licensing provision for licenses obtained before September 1958, so that such imports may possibly--on basis of Art. 19 of WTA--be blocked for say 4-6 months. As long as this complex has not been settled, question of possible customs for heating oil remains in air.

On January 21, Govt spokesman stated that further measures have been decided upon, requiring however further discussions between competent Govt Sections prior to announcement which is expected within current week.

Coal debate in Bundestag has now been scheduled for January 29.

While High Authority approval is expected of Ruhr Coal Sales Organization contracts for another year, i.e. up to March 31, 1960, it cannot be given by January 31 deadline, as High Authority has agreed to inform Market Committee of European Parliament before decision is made, so that Ruhr coal sales organization will have to extend their contractual timeline, after which free sales can start--i.e. two months before expiration of contracts--from February 1 to March 31. Decision on extension will be made in writing.

Discussions are still continuing on price lists of coal-oil cartel. Oil corporations' position is influenced by uncertainty about such factors as (1) future attitude of those oil corporations remaining outside cartel agreement; (2) extent to which importers are free to obtain fuel oil; increasing efforts are noted on part of East Bloc countries to invade Fed'up market with low-priced fuel oil.